

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 22, 2009 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:

William Conroy, Designee of the Commissioner of Health and Senior Services (Chairing); Gus Escher, Public Member (via telephone); Ulysses Lee, Public Member (via telephone); Maryann Kralik, Designee of the Commissioner of Banking and Insurance (via telephone); and Eileen Stokley, Designee of the Commissioner of Human Services (via telephone).

The following **Authority staff members** were in attendance:

Mark Hopkins, Steve Fillebrown, Suzanne Walton, Bill McLaughlin, Edwin Fuentes, Carole Conover, Michael Ittleson, Marji McAvoy, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:

Maryann Kicenuik, Windels, Marx, Lane & Mittendorf; Kay Fern, Chelsea Walton, Evergreen Financial; Sister Norah Clarke, Janet Merly-Liranzo, Greg Adams, St. Ann's for the Aged; David Weprin, Mike Biggica, Jordan Weiss, Sterne Agee; Cliff Rones, Deputy Attorney General.

CALL TO ORDER

Mark Hopkins called the meeting to order at 10:05 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2009 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting. Mr. Hopkins then stated that in the absence of the Authority's chair and with the vice chair attending by phone, a chair pro-tem was needed to lead the meeting. Mr. Escher nominated Bill Conroy to serve as chair pro tem; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-32

NOW, THEREFORE, BE IT RESOLVED, that, in the absence of the Authority's chair and vice chair, the Authority hereby appoints Bill Conroy to serve as chair pro tem for the October 22, 2009 Authority meeting.

Mr. Conroy led the meeting from this point on.

NEGOTIATED SALE

Hackensack University Medical Center

Mr. Hopkins reported that Hackensack University Medical Center (“Hackensack”), a New Jersey not-for-profit corporation, signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing in order to refund approximately \$72.3 million issued by the Authority in 2000. With costs of issuance and funding a debt service reserve fund, Hackensack seeks to finance approximately \$80 million through the Authority.

Hackensack is a 775-bed university-affiliated hospital offering an array of tertiary and quaternary patient services on 16 acres in the City of Hackensack. Hillcrest Health Service System, Inc. is the corporate parent of Hackensack and several other not-for-profit health care corporations, including the Hackensack University Medical Center Foundation, Bergen Health Management System, Bergen Home Health Services and Bergen Health Services.

The Authority issued bonds on Hackensack’s behalf in 1998, 2000 and 2008 totaling \$484.9 million. As of September 30, 2009, approximately \$130.4 million remains outstanding on the 1998 bonds, \$78.2 million remains outstanding on the 2000 bond issue and \$247 million remains outstanding on the 2008 issue. All of the 2000 bonds are expected to be refunded by the bonds under consideration today, while the 1998 and 2008 bonds are expected to remain outstanding. That Authority also issued bonds in 1979, 1982, 1985, 1991 and 2004 for Hackensack, all of which have since been defeased or refunded.

According to the consolidated audited financial statements provided, Hackensack generated an excess of revenues over expenses of \$67 million in 2007, but a deficiency in revenues over expenses of approximately \$86.4 million in 2008. It should be noted, however, that in 2008, Hackensack had a gain from operations of \$14.2 million. The overall loss that year is attributed to unfavorable market conditions resulting in: (i) investment losses of \$87.1 million; (ii) a \$5.9 million loss from an advance refunding of 2004 Authority bonds; and (iii) a \$7.6 million loss from terminating interest rate swaps. Unaudited information for the first three quarters of 2009 shows a return to the black with excess revenues over expenses of approximately \$20.4 million.

Hackensack has asked that the Authority permit the use of a negotiated sale based on the sale of a complex or poor credit and market volatility, two reasons that are considered under the Authority’s E.O. #26 policy to be justification for the use of a negotiated sale. Therefore, staff recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

After performing a competitive process, Hackensack selected Merrill Lynch as Senior Managing Underwriter for the bonds. Additionally, Hackensack researched several law firms from the Authority’s qualified list and has received the Attorney General’s approval for Windels, Marx, Lane & Mittendorf to serve as bond counsel.

Mr. Conroy asked if the Authority would be provided with an updated Appendix A, to which Mr. Hopkins replied that yes, one is expected before the informational presentation.

Mr. Escher moved to permit the pursuit of a negotiated sale on behalf of Hackensack University Medical Center. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. JJ-33

(attached)

AUTHORITY EXPENSES

Mr. Conroy referenced a summary of Authority expenses and invoices and then Ms. Stokley offered a motion to approve the bills and to authorize their payment; Mr. Lee seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. JJ-34

WHEREAS, the Authority has reviewed memoranda dated October 15, 2009, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$203,091.40, \$66,062.36 and \$4,312.34 respectively, and has found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

MODIFICATIONS TO THE QUALIFIED BANKERS LIST

Lou George directed the Members' attention to his memo sent out in the meeting materials. The memo provides background information on Southwest Securities Inc. ("Southwest"), which had asked to be added to the Authority's list of approved bankers to serve as senior manager and co-manager. Although Southwest has participated in many municipal transactions, it has limited expertise in healthcare. Staff had asked Southwest to provide additional information on its health care experience because the Authority's Request for Qualifications only asks for transactions completed within the last 6 months. Southwest provided a listing of nine health care transactions since 2004 totaling \$2.1 billion. Of the nine, Southwest served as co-manager on seven and as lead manager on two. Mr. George suggested adding them to the approved list with the caveat that the Executive Director add a co-senior manager to Southwest's first senior manager assignment.

Mr. George also recommended deleting both A.G. Edwards and J.B. Hanauer from the list since both have merged with other firms already approved.

Mr. Escher offered a motion to modify the Qualified Bankers List by adding Southwest Securities as a Senior Manager and Co-Manager and removing JB Hanauer and A.G. Edwards, as recommended by staff. Ms. Stokley seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. JJ-35

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby modifies its Qualified Bankers List by adding Southwest Securities as a Senior Manager and Co-Manager and removing JB Hanauer and A.G. Edwards, as recommended by staff.

APPROVAL OF MINUTES

September 24, 2009 Authority Meeting

Minutes from the Authority's September 24, 2009 special meeting were presented for approval. Ms. Stokley offered a motion to approve the minutes; Mr. Escher seconded. The vote was unanimous and the minutes were approved.

INFORMATIONAL PRESENTATION

St. Ann's Home for the Aged

Suzanne Walton introduced Sister Norah Clarke (Executive Director) and Janet Merly-Liranzo (Administrator) from St. Ann's Home for the Aged. Ms. Walton reminded the Members that St. Ann's received approval to move forward with a negotiated private placement at the Authority's October meeting. Staff has since been working with St. Ann's to structure an approximate \$12 million financing to: finance an expansion of its facilities, refinance the outstanding balance on its Series 1996 Bonds, and pay the related costs of issuance.

St. Ann's Home for the Aged is a 120-bed long term care facility located in Jersey City operated by the Sisters of St. Joseph of Peace. It began as a senior residence in 1911 and was converted to long term care in 1962. For the past 27 years, St. Ann's has operated an Adult Medical Day Care facility with fifty slots. The Day Care Program provides services to developmentally disabled young adults as well as to seniors. Currently, the clients range between 22 and 78 years of age. All clients must have an acceptable medical diagnosis in order to qualify for the Program.

St. Ann's would like to relocate the Adult Medical Day Care Program from the basement of their existing building to a new, two story building on property owned by St. Ann's and contiguous to the Home. They will not be increasing the number of Day Care clients. The new facility will allow their clients access to the outdoors with considerably more natural light and a substantial increase in space. The vacated space at the nursing home will be used to expand their existing inpatient rehab services to include outpatient services. The Home is also considering the addition of sub-acute beds.

Ms. Walton stated that, in addition to financing the construction project, St. Ann's would like to refinance their Series 1996 Bonds, which total approximately \$6 million and have a \$5.5 million balloon payment due in 2011.

St. Ann's is currently in discussions with two potential purchasers, both of whom have expressed an interest in purchasing a bank qualified private placement. Ultimately, St. Ann's will select the proposal that offers the most attractive terms and conditions and pricing. Staff expects to request approval for the contingent sale at the Authority's November Meeting.

The financial statistics included in the meeting materials indicate that St. Ann's has been profitable during the years 2006 through 2008 and year to date. Because total operating revenues in 2008 were positively impacted by one time prior year adjustments, staff feels the July 2009 numbers provide a more consistent representation of the Home's financial performance.

Ms. Walton reported that utilization statistics reveal that the nursing home is well-utilized reflecting 99% occupancy levels throughout the reporting periods. During that same period, the Adult Medical Day Care Program enrollment varied between 46 and 50 slots with the lowest occupancy levels occurring in the summer months. Financial ratios for the nursing home indicate strong liquidity, low debt and adequate debt service coverage.

Ms. Walton confirmed for Ms. Stokley that the project would not be adding any new slots, but rather would simply be moving the current slots and facilities to a new location. Mr.

Conroy, on behalf of the Department of Health and Senior Services, stated that St. Ann's has a terrific track record and saluted St. Ann's for the delivery of exemplary care. This report was for informational purposes only; no action was required.

STAFF REPORTS

Mr. Conroy thanked staff for their preparation of staff reports, including the Project Development Summary, Cash Flow Statement, Legislative Advisory, and Third Quarter Budget Report. Mr. Hopkins then presented his Executive Director's Report which stated the following:

1. Authority Members must complete the Ethics Training required by Executive Order #41 (Codey 2005) by November 6th. This year's training is available on-line only at www.nj.gov/ethics/training. It takes approximately 40 minutes.
2. On October 16, 2009, the State filed its formal application for a portion of the \$564 million available in federal funding for the State Grants to Promote Health Information Technology and Implementation Projects available under the American Recovery and Reinvestment Act of 2009. Steve Fillebrown was instrumental in filing the application on behalf of the State. The Authority will be the State Designated Entity for distributing the grant funds and monitoring and reporting the use of those funds and insuring compliance with the ARRA.
3. In hospital news:
 - **Meridian and Southern Ocean County Hospital** continue to move forward with their merger plans. They have filed an application for CHAPA approval with the Attorney General's office.
 - Standard & Poor's has reduced the rating on **St. Barnabas Health Care System's** unenhanced bonds from BBB- to BB+ with a negative outlook. Last month, due to non-payment related bond covenant violations, St. Barnabas entered into a forbearance agreement with bondholders, which is effective through February 2010.
 - **Somerset Medical Center** received the HealthGrades 2010 Joint Replacement Excellence Award. Its overall orthopedic care ranked among the best in New Jersey for the second year in a row. It is the only hospital in the Central New Jersey region to receive this designation.
 - **St. Mary's Hospital** launched its new fast-track Emergency Room program on Monday, October 5th. It is designed to move patients through the emergency room more quickly and efficiently.
 - The Department of Health and Senior Services released the *2009 New Jersey Hospital Performance Report* on October 14th.

This concluded the Executive Director's report.

EXECUTIVE SESSION

At this point Mr. Lee exited the meeting. Mr. Conroy asked the Members to meet in Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws, to discuss bankruptcy litigation and receive advice from the Attorney General's Office regarding St. Mary's Hospital of Passaic. Mr. Escher offered a motion to meet in Executive Session; Ms. Stokley seconded the motion. The vote was unanimous and the motion carried. Mr. Conroy noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

AB RESOLUTION NO. JJ-36

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to discuss bankruptcy litigation and receive advice from the Attorney General's Office regarding St. Mary's Hospital of Passaic;

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. Mr. Hopkins suggested that any Members with additional questions about the St. Mary's bankruptcy contact him for further information. As there was no further business to be addressed, following a motion by Mr. Escher and a second by Ms. Stokley, the Members voted unanimously to adjourn the meeting at 10:28 a.m.

I HEREBY CERTIFY THAT THE
FOREGOING IS A TRUE COPY OF
MINUTES OF THE NEW JERSEY
HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING
HELD ON OCTOBER 22, 2009.

Carole A. Conover
Assistant Secretary

AB RESOLUTION NO. JJ-33

**RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY
NEGOTIATED TRANSACTION PURSUANT TO
EXECUTIVE ORDER NO. 26**

Hackensack University Medical Center

WHEREAS, the New Jersey Health Care Facilities Financing Authority (the “Authority”) was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29, N.J.S.A. 26:2I-1 et seq., as amended (the “Act”), for the purpose of ensuring that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State; and,

WHEREAS, the Authority issues its bonds from time to time for the achievement of its authorized purposes; and

WHEREAS, on October 25, 1994, the Governor issued Executive Order No. 26 which sets forth procedures by which an issuer may determine the method of sale of bonds or notes; and,

WHEREAS, on December 8, 1994, the Authority adopted Section 2 of its policy which was developed to implement Executive Order No. 26, which requires an Authority resolution to pursue a negotiated sale of bonds; and,

WHEREAS, on March 28, 1996, the Authority amended its policy related to Executive Order No. 26; and,

WHEREAS, the Authority’s policy states that a negotiated sale of bonds will be conducted if it is determined by the Authority that it would better serve the requirements of a particular financing; and,

WHEREAS, a negotiated transaction would be permitted in circumstances including, but not limited to, the sale of bonds for a complex or poor credit; the development of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series with each series structured differently; volatile market conditions; large issue size; programs or financial techniques that are new to investors; or, for variable rate transactions; and,

WHEREAS, Hackensack University Medical Center has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the “Financing”); and,

WHEREAS, Hackensack University Medical Center has requested that the Authority consider approving the pursuit of a negotiated sale; and,

WHEREAS, market conditions could be considered volatile; and,

WHEREAS, the Financing could be considered one for a complex or poor credit; and,

WHEREAS, the Authority is desirous of being responsive to Hackensack University Medical Center's request; and,

WHEREAS, the aforementioned resolution and justification in support of such resolution must be filed, within five days of its adoption, with the State Treasurer;

NOW, THEREFORE, BE IT RESOLVED, that, based upon the above findings, the Authority hereby determines that it would better serve the requirements of this Financing to conduct a negotiated sale; and,

BE IT FURTHER RESOLVED, that the Executive Director is hereby directed and authorized to transmit a copy of this Resolution and justification in support of such resolution to the State Treasurer.